



Q & A on the Connecticut Tax Amnesty Program

Purpose: This Informational Publication describes new legislation enacted in 2002 that provides for a Connecticut Tax Amnesty Program (Tax Amnesty).

Effective Date: September 1, 2002

Statutory Authority: 2002 Conn. Pub. Acts 1, §82 (May 9 Spec. Sess.)

1. What is the Connecticut Tax Amnesty Program?

The Connecticut Tax Amnesty Program is an opportunity for individuals and businesses to pay certain Connecticut back taxes between September 1 and November 30, 2002, and avoid penalties and criminal prosecution. Tax Amnesty also offers a reduction in interest to eligible taxpayers. This program extends to any taxable periods ending on or before March 31, 2002.

2. What taxes are eligible for Tax Amnesty?

Virtually all taxes administered by the Connecticut Department of Revenue Services (DRS) are eligible. If you have a question about eligible taxes, contact DRS.

Examples of eligible Connecticut taxes:

- Attorneys Occupational Tax
- Business Use Tax
- Cigarette Taxes
- Corporation Business Tax
- Estate Tax
- Gift Tax
- Gross Earnings Tax
- Individual Use Tax
- Insurance Premiums Tax
- Motor Fuel Taxes
- Income Tax (individuals, estates, and trusts)
- Sales and Use Taxes
- Withholding Tax
- Succession Tax

3. What taxes are not eligible for Tax Amnesty?

Any tax or fee not administered and collected by DRS is not eligible for Tax Amnesty. Some examples of taxes and fees not administered and collected by DRS are:

- Local property taxes;
- Fees imposed by the Office of the Secretary of the State, such as annual fees for corporations and reinstatement fees;
- Payroll taxes owed to the Department of Labor; and
- Taxes owed to the federal government.

Also, the motor carrier road tax payable by any International Fuel Tax Agreement (IFTA) licensee is not eligible for Tax Amnesty.

4. Who qualifies for Tax Amnesty?

You qualify for Tax Amnesty if you are an individual, a business, or a fiduciary of an estate or trust that:

- Failed to file a return for any taxable period ending on or before March 31, 2002;
- Underreported tax on a return filed for any taxable period ending on or before March 31, 2002; or
- Has an unpaid bill from DRS for taxable periods ending on or before March 31, 2002.

You **do not qualify** for Tax Amnesty if you:

- Are currently under audit by DRS;
 - Are under criminal investigation by DRS;
 - Are involved in any pending civil or criminal litigation with DRS;
 - Are a party to a closing agreement with DRS;
 - Have made an offer of compromise that has been accepted by DRS; or
 - Have entered into a managed audit agreement with DRS.
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5. What are the benefits of participating in Tax Amnesty?

Individuals or businesses, residents or nonresidents, that participate in Tax Amnesty can:

- Resolve past tax liabilities;
- Obtain good standing with DRS;
- Eliminate penalty on the amount due; and
- Avoid criminal prosecution.

In addition, for those individuals or businesses that:

- Failed to file a return that was required by law or underreported tax on a previously filed return, Tax Amnesty offers a reduced interest rate. Interest will be computed at .75% (.0075) per month or fraction of a month instead of the statutory 1% (.01) rate if DRS has not contacted the taxpayer about these taxes.
- Have an unpaid bill from DRS and pay the bill in full during the amnesty period, DRS will reduce the amount of interest due by 25% when amnesty is granted. (There is no adjustment for previously paid interest.)

Example: You filed your 2000 Connecticut income tax return on April 15, 2001, and reported \$1,500 tax due. You have not made any payments on that bill. On September 16, 2002, you apply for amnesty and pay the bill in full. You save \$217.50 by applying for amnesty and paying during the Tax Amnesty period.

	Without amnesty	With amnesty
Tax due	\$1,500.00	\$1,500.00
Interest	270.00	202.50
Penalty	150.00	0.00
Total due	\$1,920.00	\$1,702.50

6. What must I do to get amnesty?

Applicants must complete **Form OP-305, Application for Tax Amnesty**. Payment of tax and interest for the period(s) for which you are requesting amnesty must accompany the application. (DRS may authorize installment payment plans. See *Question 14*.)

Your application will be timely if DRS receives the application on or before November 30, 2002, or if the date shown by the U.S. Post Office cancellation mark is on or before November 30, 2002. Extensions will not be granted.

7. I purchased merchandise in another state, over the Internet, or from a mail-order company, and had the items shipped to Connecticut for my use here. I paid no sales tax on these items. Do I owe any Connecticut tax on these purchases, and if I do, am I eligible for Tax Amnesty?

When the seller of goods does not collect sales tax, you must pay the 6% Connecticut use tax on those items that are otherwise subject to Connecticut sales tax. Use tax also applies to items you purchase by phone or mail order or over the Internet from companies located in other states. (For more information about use tax, see **Informational Publication 2000(21), Q & A on the Connecticut Use Tax**.) If you determine that you owe tax on these items, you are eligible for Tax Amnesty and may apply by completing **Form OP-305**.

8. Currently my business is not registered, but I am liable for tax. What should I do?

Tax Amnesty provides the opportunity to voluntarily report past due taxes and obtain the benefits of the program. Once your application for Tax Amnesty is received, DRS will send you **Form REG-1, Business Taxes Registration Application**.

9. My business is registered and I always remit taxes to the state. Why should I be interested in Tax Amnesty?

The benefits of Tax Amnesty also extend to registered businesses. Tax Amnesty provides an opportunity to pay additional tax liability resulting from underreporting Connecticut taxes, including sales and use taxes, income tax withholding, and corporation business tax. If those errors are discovered in an audit, your business will be subject to penalty and interest on those taxes. For example, your business may have improperly accepted or issued resale certificates or other exemption certificates, or your business may have purchased taxable goods or services from an out-of-state retailer without paying Connecticut sales tax, creating a use tax liability.

Example: Jane Doe is an antique dealer who files sales tax returns on a quarterly basis. She purchases her inventory free from tax using a resale certificate. On March 1, 2002, Jane decided to take a chair out of inventory and use it as a promotional item. She will give the chair to her one-thousandth customer. On March 24, 2002, Jane's one-thousandth customer received the chair. Jane originally purchased the chair for \$5,000. Because she purchased this chair free from tax using a resale certificate, Jane owes the 6% use tax when it comes out of inventory. Jane fails to properly report and remit the \$300 use tax on the chair when she files her sales tax return for the period ending March 31, 2002. Jane can take advantage of Tax Amnesty to report this missing transaction.

10. I am not a resident of Connecticut. I file and pay my taxes to my home state. Why would I be interested in Tax Amnesty?

Some nonresidents may have been unaware of their Connecticut income tax liability and may benefit from Tax Amnesty. Nonresidents who earned Connecticut source income, including income from the sale or rental of property located in Connecticut, income from work performed in Connecticut, or income from a business conducted in this state, could be liable for Connecticut income tax on that income. In most cases, the nonresident may be entitled to claim a credit from his or her home state for income taxes that are due and paid to Connecticut.

11. I currently have an outstanding balance or an installment payment arrangement with DRS. May I apply for Tax Amnesty?

Yes. If you file **Form OP-305** and pay the balance due during the Tax Amnesty period, you will be eligible to have the penalty cancelled and to have the amount of interest due reduced by 25% when amnesty is granted.

12. Must I file actual tax returns or amended tax returns with my Tax Amnesty application?

The completed **Form OP-305** is considered your tax return. However, if you are requesting amnesty for corporation business tax, income tax, or withholding tax, we strongly recommend that you complete a Connecticut tax return or an amended return for each period. These returns should be attached to your amnesty application. By completing a return (or returns), you increase the accuracy of your tax calculation and ensure that you take advantage of any available credits. Filing a return (or returns) is also necessary if you intend to claim credit on another state's return for taxes paid to Connecticut.

13. How do I find out how much I owe?

Return Not Filed or Taxes Underreported: If you have not filed a return or have underreported tax on a return, you can calculate your tax and interest using **Forms OP-305 IT or OP-305R**, *Amnesty Tax Rate and Interest Rate Information*, or using the interest calculator on the Connecticut Tax Amnesty Program Web site: www.ct.gov/taxamnesty

Taxes Billed But Not Paid: If you have an existing bill from DRS, call the DRS Taxpayer Services Division at **1-800-382-9463** (in-state) or **860-297-5962** (from anywhere) during business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. and select **Option 7** for Tax Amnesty assistance.

14. Are installment payment plans available during Tax Amnesty?

Return Not Filed or Taxes Underreported: If you apply for Tax Amnesty because you failed to file or underreported a tax liability and you demonstrate financial hardship, DRS may authorize and arrange for an installment method of payment. If your Tax Amnesty application is approved, you could receive a cancellation of any penalty imposed and a reduced interest rate of .75% (.0075) a month or fraction of a month for the amnesty period. We recommend that you pay as much as you can with your Tax Amnesty application because interest continues to accrue on the unpaid balance until payment is made in full. Any unpaid balance on December 1, 2002, will accrue interest at the rate of 1% per month or fraction of a month from that date forward.

Taxes Billed But Not Paid: If you apply for Tax Amnesty because you have received a bill and you demonstrate financial hardship, DRS may authorize and arrange for an installment method of payment. However, you will not receive the 25% reduction in the amount of interest due when amnesty is granted unless you pay the full amount due on or before November 30, 2002.

Note: If you do not honor the payment agreement, amnesty will be revoked. To request a payment plan, submit a letter of request with your completed **Form OP-305** stating why full payment of tax and interest would present a financial hardship. The request letter should include a statement of your income and expenses. DRS personnel will contact you about your request.

15. If I applied for a waiver of penalty for a particular period and the request was denied, can I apply for amnesty for that period?

No, but you can apply for amnesty for other periods.

16. I have been making payments. My original penalty was more than the balance on my current bill. May I apply for amnesty, and will I receive a refund?

You may apply for amnesty, but you will not receive a refund. If recalculation of your bill results in a zero balance, DRS will not refund any penalties or interest paid prior to amnesty.

17. If I am liable for more than one tax, and I am under audit or criminal investigation, or I am a party to criminal or civil litigation for only one tax, may I request amnesty for any other taxes?

You may apply for amnesty for any tax for which you are not under audit, criminal investigation, or a party to criminal or civil litigation. In fact, if you are under audit for certain reporting periods, you may apply for amnesty for other eligible reporting periods.

18. I have protested a DRS assessment that is now under appeal. May I file for amnesty?

Yes. Cases in the DRS appellate process are eligible for amnesty. Because you have an existing bill with DRS, if you are granted amnesty for that period, you will be eligible for a cancellation of penalty and a 25% reduction of the amount of interest due when amnesty is granted as long as you pay the bill during the amnesty period.

Note: You waive your right to future appeal or to claim a refund for those issues for which you request and are granted amnesty. If you have any questions, contact the Appellate Division by calling **860-297-4775**.

19. Am I eligible for Tax Amnesty if DRS currently has a garnishment on my wages, levies on my bank account, or seized my business?

Yes, provided you pay the tax and interest due during the Tax Amnesty period. However, DRS will not remove any wage garnishment, levies, or seizures until DRS receives full payment of tax and interest.

20. Can I be audited if I am granted amnesty?

You will not increase your chances of being audited by applying for amnesty. **Form OP-305**, like any other return filed with DRS, is subject to verification as provided by law.

21. If amnesty is granted and an audit reveals later that additional taxes are due, will amnesty be revoked?

Tax Amnesty will not be revoked for the self-assessed portion for which amnesty was granted, although the additional tax due from the audit assessment is subject to penalty and interest. However, if you knowingly filed a false amnesty application for a taxable period, DRS will revoke tax amnesty and reinstate interest and penalty.

22. Are Tax Amnesty applications confidential?

Yes. Like tax returns, amnesty applications are confidential.

23. How can I be sure I am not incriminating myself by sending in an application if it turns out I am ineligible for Tax Amnesty?

DRS will not use Tax Amnesty applications as evidence in any criminal investigation or prosecution unless you knowingly file a false amnesty application.

24. How will I know if my application for Tax Amnesty has been granted or denied?

Approximately 30 days after DRS receives **Form OP-305**, we will send you a letter stating whether your application has been approved or denied.

25. If I am denied amnesty, will my payment be refunded?

No. If amnesty is denied, DRS will apply the payment received to any outstanding liability that you have and will not refund the payment.

26. How do I get more information about Tax Amnesty?

If you need more information about Tax Amnesty, call **1-860-297-5962** or **1-800-382-9463** (in-state) 24 hours a day. By selecting **Option 7** on your touch-tone phone, you can listen to recorded Connecticut Tax Amnesty information or choose from several options. You may also speak with a Taxpayer Services Representative, Monday through Friday, 8:00 a.m. to 5:00 p.m., by selecting **Option 0** on your touch-tone phone. **TTY, TDD, and Text Telephone users only** may transmit inquiries 24 hours a day by calling 860-297-4911.

Assistance is also available Monday through Friday, 8:00 a.m. to 5:00 p.m., by visiting any of the DRS offices at the following locations:

Hartford 25 Sigourney Street 860-297-5962	Bridgeport 10 Middle Street 203-336-7890
Hamden 3074 Whitney Avenue 203-287-8243	Norwich 2 Cliff Street 860-889-2669
Waterbury 55 West Main Street 203-805-6789	

27. How do I receive a Tax Amnesty application?

Tax Amnesty applications are available from the following sources:

Internet: Information and applications are available on the Internet at: www.ct.gov/taxamnesty

Phone: Call the DRS Forms Unit at **860-297-5962** or **1-800-382-9463** (in-state) 24 hours a day. Select **Option 2** on your touch-tone phone.

Fax: Call the DRS TAX-FAX system to order an application 24 hours a day. Call **860-297-5698** from the handset attached to your fax machine, and follow the voice prompts to request Document #3.

In Person: Applications for Connecticut tax amnesty are available in town halls, post offices, and libraries throughout Connecticut and in all DRS offices during business hours.

Effect on Other Documents: None

Effect of This Document: An Informational Publication is a document issued by DRS that addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.
